A STUDY OF RETAIL INVESTORS BEHAVIOUR TOWARDS EQUITY INVESTMENT IN STOCK MARKET-A Case Study of Mumbai Region

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PROPOSAL

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Introduction

The progress of an economy depends on the sound financial system of the country. Since liberalization, India has been witnessing tremendous growth in all the sectors especially in the capital markets.With the result of the increasing amount of disposable income, the number of investors investing in the capital market has been growing in leaps and bounds.

The stock market is an economic barometer which reflects a country's economy. It is an important indicator of financial stability. Business firms issue shares with a view to acquire funds and at the same time utilise the saving of investors. The stock market plays an important role of channelizing the savings of investors and directing them towards productive activities by providing the investors various instruments to invest. The stock market makes it possible to sell stocks at any point of time and get back their invested funds. This makes stocks more liquid in nature attracting more investors to invest in the stock market. As a result, individual investors constitute the backbone of the Indian capital market.

There are a large number of investors in the market but their investment pattern may differ since it may be influenced by fluctuations in stock prices caused by various factorslike corporate announcements, buyback of shares, economic crisis being a few. Inspite of this, securities have emerged as an attractive source of investment, for the investors who are willing to take the leap by bearing the risk.

Finance today has become an important part in the life of an individual. With India progressing, more investors are interested to maximize their wealth and find the stock market a lucrative option. The origin of the stock market in India can be traced to Bombay, which makes it the oldest stock exchange in Asia.Over the years, developments in the stock market have led it to undergo phenomenal changes and as a result it has been attracting several investors from far and wide. As a result the stock markets not only provide a platform to investors for trading, but also provide much required funds for boosting business. The stock exchanges have been providing a

host of other services including risk management, clearing, and settlement, as well as investor education.

Through this study we can gauge theinvestor's perception when he invests in the market and the sources through which he gets reliable information. It will also help in understanding the stocks that investors prefer investing in. Investments are done with a view to earn returns. The retail investors' participation is vital to keep the stock market going.

This research will help to analyse the investment tendencies includingintraday, positional, long term depending on various factors and also tounderstand thesefactors in depth. Though many of the retail investors still find traditional investment avenues like Banks, Post Office, Insurance, etc. as better options of investment, but this will not deter them from investing in the stock market which has grown enormously due to awareness and education.

In the present scenario, it is essential to analyse the various investment avenues available to investors. This research plays an important role in understanding the rationale behind investment decisions and the mindset of the retail investors. Stock price movements reveal a lot about investors expectation and their perception about the company's credibility. This study is important to understand the investors perception about the stock market and evaluate what leads them to take the plunge and invest in equities. Mumbai being the financial capital of India and an upcoming market it is inevitable to ignore this.

Need and Significance of the Study

Investors in the stock market are growing by the day. It is very essential to know what attracts the retail investors towards equities despite its constantvolatility. The main purpose of this study is to throw light on the equity investment of retail investors in Mumbai. The present study will help to understand the behavior of retail investors when investing in equities. It will also help to understand the attributes considered by investors when investing in equities.

The studyon retail investors behaviour towards equity investment in the stock market will help to analyse the mindset of the investors while investing in equities in the stock market. Interacting with investors is not only about giving them information but also enlightening them about the risks involved by investing in equities which may not have strong fundamentals. Although there

may be studies done in this field the investment pattern of retail investors in Mumbai are rarely analysed.

Objectives of Research

The objectives of this research are

1. To study the relationship between demographic factors like age, income level, gender, education level and investment decision.
2. To study the relationship between period of experience in the stock market and investment pattern.
3. To identify the sources of information when investing in equities.
4. To examine the key attributes involved in decision making when investing in equities.
5. To study the investment preferences of retail investors in Mumbai.
6. To offer suitable suggestions to investors for framing investment strategies and enhancing investor participation.

Hypothesis of the study

HO-There is no significant influence of demographic factors like age, gender, income level, education level on investment objectives.

H1-There is significant influence of demographic factors like age, gender, income level, education level on investment objectives.

HO-Pattern of investment is not influenced by demographic factors like age, gender, income level and education level.

H1-Pattern of investment is influenced by demographic factors like age, gender, income level and education level.

HO-Period of market experience has no significant influence on investment pattern.

H1-Period of market experience has significant influence on investment pattern.

HO-There is no significant influence of sources of information on investment objectives.

H1-There is significant influence of sources of information on investment objectives.

HO-Retail investors do not prefer equity investment to other investment avenues.

H1-Retail investors prefer equity investment to other investment avenues.

Research Methodology

The present study is an analytical study of retail investors behavior towards equity investment on the stock market. This is a field survey of descriptive nature. This is an empirical survey. Therefore, the researcher has adopted a model based primary and secondary data.

Primary data

The researcher has selected primary survey for the purpose of collecting primary data which forms thecore part of thisstudy. The primary data has been collected with the help of a structured questionnaire specifically designed for this purpose. The researcher has prepared questions, sufficiently enough to cover details regarding the investors demographics like age, income level, gender, education level, investment decision and socio-economical culture. Primary data has been collected from Mumbai region by use of -

- Questionnaire
- Personal interviews
- Observation and personal visits

Primary data collection will help to collect first-hand information and data which cannot be obtained from secondary sources

Secondary data

The secondary data has been collected from sources already existing like -

- Research Journals
- Newspapers
- Periodicals
- Magazines
- Government Publications
- Stock Exchange Publications
- Websites

Statistical method used – The collected data has been properly classified and analysed with the help of statistical techniques such as –

- Regression Analysis – To establish a relation between two or more variables.
- Correlation- To establish a relation between two or more variables for the data availed.
- Graphs – For graphical presentation of data.
- Tabulation – To tabulate data in tabular form for analysis.
- Tools for hypothesis testing such ast-test, chi-square test, f-test, t-test z-test etc. if necessary.

Sample Design –

The present study is an empirical survey of descriptive type. Therefore, the researcher has used research methodology to suit an empirical survey. The method of strategic random sample selected by convenience is used.

Due to time and cost constraint,the research would be confined to Mumbai region only.The total population consists of retail investors having active demat accounts, of which the total sample size consisting of1000retail investors investing in equities are randomly chosen from the list of investors from stock brokers and investors forums.

Period of the study-
The observations are made for the financial years 2010 – 11 to 2016 – 17 (7 years)to arrive at the conclusions.

Scope of the Study

This study on equity investment by retail investors will help to understand the investment pattern, investment objectives and the investor behavior towards equities. It will also help investors analyse the trends in the market and then take better investment decisions. This study is important, as it will not only help existing investors in making better decisionswhile investing in the stock market but also will help new investors planning to enter the stock market to make the right choices.
Hence the area of this study will cover Mumbai only.

Limitations of the Study

- The area of this study will cover retail investors in Mumbai only.
- The study cannot be generalized since it is based on the response of the sample.
- The present study is constrained by time, cost and physical limitations of the researcher.
- The present study is limited to 1000 retail investors investing in equities through random sampling.

Proposed Chapter Layout

1) Introduction

   This chapter gives an overview of the stock market and the various concepts related to it. Itgives a description about the investment avenues available for retail investors, groups of shares, types of retail investors and other related areas. It also gives an outline of the chapter schemecarried by the researcher in the course of research.

   In this chapter the research methodology employed for carrying out this study, the objectives of the study, hypothesis, tools and techniques, limitations experienced when carrying out the study, the sample process, have been explained in this chapter.

2) Review of Literature

   The second chapter is aimed at giving a brief view of the studies carried out in India and abroad in this area. The review will highlight the various approaches on equity investment. It includes review of the literature from various journals, financialmagazines, articles, bulletins,publication by stock exchanges,various educational and financial websites, etc.

3) Profile of Mumbai region

   This chapter gives a brief view of the geographical area covered in the study.It also describes the demographic profile of retail investors in Mumbai region.Mumbai lies on the west coast of India in Maharashtra state. Mumbai being the financial capital of Indiamakes it a viable and important area for this study.

4) Investment behavior of retail investors

   In this chapter the investment behavior of retail investors will be reviewed. It not only identifies the reasons involved in decision making when investing in equities but also

takes into account the investment preferences of retail equity investors on the stock market.

5) Factors effecting the investment decisions

   In this chapter various factors effecting the investment decisions of investors are identified. It also covers various sources of information investors take into consideration and also the experience they have when investing on thestock market.

6) Investment pattern of Mumbai region

   In this chapter the data collected from retail investors is analysed in detail with the help of statistical techniques and presented through graphs and charts so as to draw logical conclusions.

7) Finding, Conclusion and Suggestion

   This chapter summarizes the findings, draws conclusions of retail investors' behavior towards equity investment on thestock market and also provides suitable suggestions to enhance investor participation in the stock market.

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Annexure

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2) Questionnaire

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